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Green Choice **Solar**

July 22 2010

The Honorable Kristin Mayes
Arizona Corporation Commission

Re: APS Letter Regarding Funding Shortfalls in 2010 RES Plan
(Docket No. E-01345A-09-0338)

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AZ CORP COMMISSION
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Dear Chairman Mayes:

In your letter dated May 27, 2010, you had asked APS to identify any unspent or uncommitted funds in 2009 and 2010 that could be used to address the shortfall in residential UFIs for the remainder of 2010. In its response, APS delineated various proposed reallocations to the residential incentive program. I am writing to express my opposition to APS' intent to move half of the anticipated \$2.6 million in unused PBI funds to the residential UFI category for the Funding Cycles 2 and 3.

As you know, the non-residential PBI program has had its own funding challenges over the last year. The changes adopted in APS' 2010 RES Implementation Plan have helped provide more certainty to the solar industry by establishing defined nomination periods for large and medium projects. However, funding is still woefully inadequate to meet growing demand in the non-residential market. Taking as much as \$1.3 million from current PBI reservations that fail to meet the defined program timelines would only exacerbate the funding shortfall for other legitimate commercial projects.

APS has noted that a significant number of PBI projects may be cancelled or have expired. The problem of "phantom" reservations could be cured by requiring a reservation fee based on a small percentage of the total project cost. In addition, a reservation fee would also help discourage solar developers from making reservations for dubious projects that cannot secure financing.

I urge the Commission to reject APS' PBI reallocation proposal. Instead, APS should roll over any unspent or uncommitted PBI funds into the remaining PBI nominating periods for 2010.
Thank you for your consideration.

Yours truly,

Herbert Abel
Chief Executive Officer

CC: Commissioner Gary Pierce
Commissioner Sandra Kennedy

Commissioner Paul Newman
Commissioner Bob Stump

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